

TOWNSHIP OF JEFFERSON
HILLSDALE COUNTY, MICHIGAN

AUDIT REPORT

MARCH 31, 2005

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Jefferson Township	County Hillsdale
Audit Date 3/31/05	Opinion Date 10/18/05	Date Accountant Report Submitted to State: 10/28/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Bailey, Hodshire + Company PC			
Street Address 479 E Chicago St	City Jonesville	State MI	ZIP 49250
Accountant Signature Bailey, Hodshire + Company PC		Date 10/28/05	

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INDEPENDENT AUDITOR'S REPORT

To the Supervisor and
Members of the Township Board
Township of Jefferson
Osseo, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Township of Jefferson as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Township of Jefferson as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended and interpreted, as of March 31, 2005.

The management's discussion and analysis and budgetary comparison information on pages 3 through 7 and pages 26 through 27, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Township of Jefferson

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Jefferson' basic financial statements. The individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Bailey, Hodshire & Company, PC

October 18, 2005

Jonesville, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS TOWNSHIP OF JEFFERSON

The following discussion and analysis of the financial performance for the Township of Jefferson (the "Township") provides an overview of the Township's financial activities for the fiscal year ended March 31, 2005. Please read it in conjunction with the Township's financial statements which follow this section. As stated in Note 1 to the financial statements, the Township is implementing the requirements of GASB 34 in this year's audit.

Financial Highlights

The following represents the most significant financial highlights for the year ended March 31, 2005:

- The assets of the Township exceeded its liabilities at March 31, 2005 by \$2,458,406 (net assets). Of this amount, \$567,260 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Township's total net assets decreased by \$33,036.
- As of March 31, 2005, the Township's governmental funds reported combined ending fund balances of \$434,008, a decrease of \$36,626. The amount available for spending at the government's discretion (unreserved fund balance) is \$334,890.
- The Township's total long-term debt decreased by \$76,322 for business-type activities; no new debt was issued.
- State shared revenue continues to be reduced. For the fiscal year ended March 31, 2005, it decreased \$8,923 to \$213,082.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township of Jefferson's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements - The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business and, therefore, are prepared using the accrual basis of accounting. These statements provide a longer-term view of the Township's finances and whether taxpayers have funded the full cost of providing government services.

The first two statements are government-wide and include the following:

- The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.
- The *statement of activities* presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and state shared revenues).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are

MANAGEMENT'S DISCUSSION AND ANALYSIS TOWNSHIP OF JEFFERSON

Overview of the Financial Statements (Continued)

intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Township include general government, public safety, highways and roads, capital improvements, solid waste and cemetery management. The business-type activities of the Township include sanitary sewer operations. The government-wide financial statements can be found on pages 8 - 9 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township of Jefferson, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund financial statements report the Township's operations in more detail than the government-wide financial statements. These statements present a short-term view and tell how taxpayer resources were spent during the year. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Township's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township of Jefferson maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Cemetery Perpetual Care Permanent Fund.

The Township adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 10 - 11 of this report.

Proprietary Funds. The Township maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Township uses an enterprise fund to account for its sanitary sewer operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the Township's various functions. The Township does not use an internal service fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 12 - 14 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS TOWNSHIP OF JEFFERSON

Overview of the Financial Statements (Concluded):

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government, such as the Tax Fund where property taxes are collected and disbursed on behalf of and to other local units of government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Township of Jefferson's own programs. The basis of accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found on page 15 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16 - 25 of this report.

The Township as a Whole

The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities in a way that helps explain the condition of the Township. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. In a condensed format, the table below shows the net assets of the Township as of the end of the year. Since this is the first year for which the Township adopted the provisions of GASB Statement No. 34, comparative data is not required. In future years, such information will be presented for the current and preceding year:

TABLE 1 - NET ASSETS	Governmental Activities	Business-Type Activities	Total
Assets:			
Current Assets	\$ 434,287	\$ 284,488	\$ 718,775
Capital Assets	<u>214,176</u>	<u>1,593,939</u>	<u>1,808,115</u>
Total Assets	<u>\$ 648,463</u>	<u>\$ 1,878,427</u>	<u>\$ 2,526,890</u>
Liabilities:			
Current Liabilities	\$ 279	\$ 68,205	\$ 68,484
Long-term Liabilities	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities	<u>\$ 279</u>	<u>\$ 68,205</u>	<u>\$ 68,484</u>
Net Assets:			
Invested in Capital Assets, net of related debt	\$ 214,176	\$ 1,521,118	\$ 1,735,294
Restricted	99,118	56,734	155,852
Unrestricted	<u>334,890</u>	<u>232,370</u>	<u>567,260</u>
Total Net Assets	<u>\$ 648,184</u>	<u>\$ 1,810,222</u>	<u>\$ 2,458,406</u>
Total Liabilities and Net Assets	<u>\$ 648,463</u>	<u>\$ 1,878,427</u>	<u>\$ 2,526,890</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS TOWNSHIP OF JEFFERSON

The following table shows the changes in the net assets during the year:

TABLE 2 - CHANGE IN NET ASSETS	Governmental Activities	Business-Type Activities	Total
Program Revenue:			
Charges for services	\$ 51,311	\$ 122,470	\$ 173,781
Operating grants and contributions	4,627	0	4,627
General Revenue:			
Property tax	51,055	0	51,055
Special assessments	6,682	32,934	39,616
State shared revenue	213,082	0	213,082
Unrestricted investment earnings	9,224	3,685	12,909
Other	<u>10,741</u>	<u>7,216</u>	<u>17,957</u>
Total Revenue	<u>\$ 346,722</u>	<u>\$ 166,305</u>	<u>\$ 513,027</u>
Expenses:			
General Government	\$ 137,947	\$ 0	\$ 137,947
Public Safety	50,830	0	50,830
Public Works	173,248	0	173,248
Community and Economic Development	2,360	0	2,360
Recreation and Culture	5,263	0	5,263
Other	13,700	0	13,700
Depreciation - Unallocated	8,579	0	8,579
Sewer Operations	<u>0</u>	<u>154,136</u>	<u>154,136</u>
Total Expenses	<u>\$ 391,927</u>	<u>\$ 154,136</u>	<u>\$ 546,063</u>
DECREASE IN NET ASSETS	<u>\$ (45,205)</u>	<u>\$ 12,169</u>	<u>\$ (33,036)</u>

The Township's net assets continue to remain healthy.

Governmental Activities

The Township's total governmental revenues decreased by \$8,290 this year. State shared revenue, the township's main source of revenue, decreased 4%. Expenses decreased due to less money being spent on fire protection, road projects and capital expenditures. During the year, the Township continued to monitor the revenues and expenditures.

The Township's Funds

The fund financial statements provide detailed information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities. The Township's major funds include the General Fund and the Cemetery Fund.

The General Fund pays for most of the Township's governmental services. The most significant are road work, road stabilization (dust control on all dirt roads), fire protection, and solid waste-transfer station and recycling costs; these areas incurred expenses of approximately \$219,214 for the fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS TOWNSHIP OF JEFFERSON

General Fund Budgetary Highlights

Over the course of the year, the Township Board amended the budget two times to take into account events during the year. Both amendments were minor.

Capital Asset and Debt Administration

At the end of the fiscal year 2005, the Township had approximately \$1,808,115 (net of depreciation) invested in a broad range of capital assets, including land, buildings, equipment, sewer system, vehicles, etc. There is no related infrastructure reported in the year end net capital investment because the roads are not the property of the Township. Details of the Township's capital assets are continued in the notes to the financial statements on page 21 - 22.

The Township continues to pay down debt obligations related to capital investments. At March 31, 2005, debt related to capital assets totaled \$72,821. This debt obligation is scheduled to be paid off during the next fiscal year.

Economic Factors and Next Year's Budgets and Rates

Road projects are estimated at \$126,000 for 2005-2006. This figure is higher than expected because of additional cost on the Bear Lake Road project.

The transfer station drive was completed for \$33,000, but the work did not meet with the Township's approval so the bill was not paid. This matter will be settled in the 2005-2006 year.

The Township is planning on reducing project costs for roads in the 2006-2007 year.

The sewer loan will be paid off during the 2005-2006 fiscal year. By recommendation of the engineers, the sewer fees will not be lowered so as to accumulate up to \$500,000 for cleaning of lagoons and future capital outlay.

Contacting the Township's Management

This Financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township office.

BASIC FINANCIAL STATEMENTS

TOWNSHIP OF JEFFERSON
STATEMENT OF NET ASSETS
MARCH 31, 2005

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash & investments	\$ 419,297	\$ 264,914	\$ 684,211
Prepaid expenses	8,157	3,321	11,478
Receivables:			
Taxes	7,546	3,289	10,835
Customers	0	8,419	8,419
Special assessments - current	0	3,832	3,832
Internal balances	(713)	713	0
Capital assets - net	<u>214,176</u>	<u>1,593,939</u>	<u>1,808,115</u>
Total assets	<u>\$ 648,463</u>	<u>\$ 1,878,427</u>	<u>\$ 2,526,890</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 279	\$ 263	\$ 542
Accrued interest	0	1,472	1,472
Long-term debt:			
Due within one year	0	72,821	72,821
Due in more than one year	0	0	0
Deferred charges - refunding bonds	<u>0</u>	<u>(6,351)</u>	<u>(6,351)</u>
Total liabilities	<u>\$ 279</u>	<u>\$ 68,205</u>	<u>\$ 68,484</u>
NET ASSETS			
Investment in capital assets, net of related debt	\$ 214,176	\$ 1,521,118	\$ 1,735,294
Restricted:			
Debt service	0	56,734	56,734
Perpetual care	99,118	0	99,118
Unrestricted	<u>334,890</u>	<u>232,370</u>	<u>567,260</u>
Total net assets	<u>\$ 648,184</u>	<u>\$ 1,810,222</u>	<u>\$ 2,458,406</u>
Total liabilities and net assets	<u>\$ 648,463</u>	<u>\$ 1,878,427</u>	<u>\$ 2,526,890</u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF JEFFERSON
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
General Government	\$ 137,947	\$ 7,883	\$ 0	\$ 0	\$ (130,064)
Public Safety	50,830	2,940	0	0	(47,890)
Public Works	173,248	40,488	4,627	0	(128,133)
Community/Economic Development	2,360	0	0	0	(2,360)
Recreation and Culture	5,263	0	0	0	(5,263)
Other	13,700	0	0	0	(13,700)
Depreciation - Unallocated	<u>8,579</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(8,579)</u>
Total Governmental Activities	\$ 391,927	\$ 51,311	\$ 4,627	\$ 0	\$ (335,989)
Business-type Activities:					
Sewer	\$ 154,136	\$ 122,470	\$ 0	\$ 0	\$ (31,666)
Total Primary Government	<u>\$ 546,063</u>	<u>\$ 173,781</u>	<u>\$ 4,627</u>	<u>\$ 0</u>	<u>\$ (367,655)</u>

	Governmental Activities	Business-type Activities	Total
Change in net assets:			
Net (expense) revenue	\$ (335,989)	\$ (31,666)	\$ (367,655)
General revenue:			
Property taxes levied for general purposes	\$ 51,055	\$ 0	\$ 51,055
Special assessments	6,682	32,934	39,616
State shared revenue	213,082	0	213,082
Unrestricted investment income	9,224	3,685	12,909
Miscellaneous	<u>10,741</u>	<u>7,216</u>	<u>17,957</u>
Total general revenue	\$ 290,784	\$ 43,835	\$ 334,619
Change in net assets	\$ (45,205)	\$ 12,169	\$ (33,036)
Net assets - beginning	<u>693,389</u>	<u>1,798,053</u>	<u>2,491,442</u>
Net assets - ending	<u>\$ 648,184</u>	<u>\$ 1,810,222</u>	<u>\$ 2,458,406</u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF JEFFERSON
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2005

	General Fund	Permanent Fund Cemetery	Total Governmental Funds
ASSETS			
Cash & investments	\$ 320,179	\$ 99,118	\$ 419,297
Taxes receivable	5,316	0	5,316
Prepaid expenses	8,157	0	8,157
Due from agency fund	<u>2,230</u>	<u>0</u>	<u>2,230</u>
Total assets	<u>\$ 335,882</u>	<u>\$ 99,118</u>	<u>\$ 435,000</u>
LIABILITIES AND FUND EQUITY			
Liabilities:			
Payroll taxes payable	\$ 279	\$ 0	\$ 279
Due to other funds	<u>713</u>	<u>0</u>	<u>713</u>
Total liabilities	<u>\$ 992</u>	<u>\$ 0</u>	<u>\$ 992</u>
Fund Equity:			
Fund Balance			
Reserved	\$ 0	\$ 99,118	\$ 99,118
Unreserved/Undesignated	<u>334,890</u>	<u>0</u>	<u>334,890</u>
Total fund equity	<u>\$ 334,890</u>	<u>\$ 99,118</u>	<u>\$ 434,008</u>
Total liabilities and fund equity	<u>\$ 335,882</u>	<u>\$ 99,118</u>	<u>\$ 435,000</u>

Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds
to the Net Assets of Governmental Activities on the Statement of Net Assets

Fund Balances - total governmental funds	\$ 434,008
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Add: Capital assets	\$ 317,892
Deduct: Accumulated depreciation	<u>(103,716)</u>
Net assets of governmental activities	<u>\$ 648,184</u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF JEFFERSON
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
MARCH 31, 2005

	General Fund	Permanent Fund Cemetery	Total Governmental Funds
REVENUE			
Property taxes	\$ 51,055	\$ 0	\$ 51,055
Special assessments	6,682	0	6,682
Administration fees	5,828	0	5,828
State shared revenue	213,082	0	213,082
Charges for services	37,762	3,250	41,012
Rent	6,000	0	6,000
Licenses, permits, fees	5,099	0	5,099
Interest	6,496	2,728	9,224
Miscellaneous	<u>8,740</u>	<u>0</u>	<u>8,740</u>
Total revenue	<u>\$ 340,744</u>	<u>\$ 5,978</u>	<u>\$ 346,722</u>
EXPENDITURES			
General Government	\$ 137,947	\$ 0	\$ 137,947
Public Safety	50,830	0	50,830
Public Works	173,248	0	173,248
Community/Economic Development	2,360	0	2,360
Recreation and Culture	5,263	0	5,263
Other	<u>13,700</u>	<u>0</u>	<u>13,700</u>
Total expenditures	<u>\$ 383,348</u>	<u>\$ 0</u>	<u>\$ 383,348</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	\$ (42,604)	\$ 5,978	\$ (36,626)
FUND BALANCES - April 1, 2004	<u>377,494</u>	<u>93,140</u>	<u>470,634</u>
FUND BALANCES - March 31, 2005	<u>\$ 334,890</u>	<u>\$ 99,118</u>	<u>\$ 434,008</u>

Reconciliation of Statement of Revenue, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities

Net changes in fund balances - total governmental funds \$ (36,626)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: capital outlay	0
Deduct: depreciation expense	<u>(8,579)</u>

Change in net assets of governmental activities	<u>\$ (45,205)</u>
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The accompanying notes are an integral part of this statement.

TOWNSHIP OF JEFFERSON
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
MARCH 31, 2005

	Business-Type Activities Sewer Fund
ASSETS	
Cash & investments	\$ 264,914
Prepaid expenses	3,321
Receivables:	
Taxes	3,289
Customers	8,419
Special assessments - current	3,832
Due from other funds	<u>713</u>
Total current assets	\$ <u>284,488</u>
Capital assets - net	\$ <u>1,593,939</u>
Total noncurrent assets	\$ <u>1,593,939</u>
Total assets	<u>\$ 1,878,427</u>
LIABILITIES	
Accounts payable and accrued liabilities	\$ 263
Accrued interest	1,472
Current portion of contract payable	72,821
Deferred charges - refunding bonds	<u>(6,351)</u>
Total liabilities	\$ <u>68,205</u>
NET ASSETS	
Investment in capital assets, net of related debt	\$ 1,521,118
Unrestricted	232,370
Restricted for debt service	<u>56,734</u>
Total net assets	\$ <u>1,810,222</u>
Total liabilities and net assets	<u>\$ 1,878,427</u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF JEFFERSON
STATEMENT OF REVENUE, EXPENSES,
AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED MARCH 31, 2005

	Business-Type Activities Sewer Fund
OPERATING REVENUES:	
Charges for services and penalties	\$ 122,470
Other	<u>7,216</u>
Total current assets	\$ <u>129,686</u>
OPERATING EXPENSES:	
Operation and maintenance	\$ 32,313
General and administrative	6,650
Salaries and fringe benefits	38,350
Depreciation	<u>69,307</u>
Total operating expenses	\$ <u>146,620</u>
OPERATING INCOME (LOSS)	\$ <u>(16,934)</u>
NON-OPERATING REVENUES (EXPENSES):	
Special assessments	\$ 32,934
Interest income	3,685
Interest expense	<u>(7,516)</u>
Total non-operating revenues (expenses) - net	\$ <u>29,103</u>
NET INCOME (LOSS)	\$ 12,169
NET ASSETS - Beginning	<u>1,798,053</u>
NET ASSES - Ending	<u><u>\$ 1,810,222</u></u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF JEFFERSON
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED MARCH 31, 2005

	Business-Type Activities Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from customers	\$ 131,943
Payments to employees	(31,242)
Payments to suppliers	<u>(46,527)</u>
Net cash provided (used) by operating activities	<u>\$ 54,174</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Connection fees and capital contributions	\$ 31,892
Acquisition of capital assets	(9,411)
Principal and interest paid on debt	<u>(81,666)</u>
Net cash provided (used) by capital and related financing activities	<u>\$ (59,185)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>\$ 3,685</u>
Net cash provided (used) by investing activities	<u>\$ 3,685</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (1,326)
CASH AND CASH EQUIVALENTS - Beginning	<u>266,240</u>
CASH AND CASH EQUIVALENTS - Ending	<u><u>\$ 264,914</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:	
Operating income (loss)	\$ (16,934)
Adjustment to reconcile operating income to net cash provided by (used for) operating activities:	
Depreciation expense	69,307
Changes in assets and liabilities:	
Prepaid expenses	(459)
Accounts receivable	2,258
Accounts payable and other accrued liabilities	<u>2</u>
Net cash provided (used) by operating activities	<u><u>\$ 54,174</u></u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF JEFFERSON
STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUND
MARCH 31, 2005

ASSETS

Cash

\$ 2,230

LIABILITIES

Due to Township general fund

\$ 2,230

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

TOWNSHIP OF JEFFERSON
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Township of Jefferson is located in Hillsdale County, Michigan, and comprises a population of approximately 3,141 residents. It is governed by a board consisting of 5 members with a supervisor as its head.

The accounting policies of the Township of Jefferson conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

In June, 1999, the GASB approved Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments*. Certain of the significant changes in the Statement include the following:

- For the first time, the financial statements include:
 - A Management Discussion and Analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operations.
 - Financial statements prepared using full accrual accounting for all of the Township's activities, including fixed assets (buildings, equipment, vehicles, etc.)
- A change in the fund financial statements to focus on major funds.

The Township has elected to implement the provisions of the Statement in the current year; therefore, these and other changes are reflected in the accompanying financial statements and notes to the financial statements.

The following is a summary of significant accounting policies used by the Township of Jefferson:

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure the financial statements are not misleading. The primary government of the Township consists of all funds, departments, boards and agencies that are not legally separate from the Township. Accordingly, this report does not include the financial statements of the Pittsford-Jefferson Fire Department which operates autonomously under a service agreement with Pittsford Township.

Component units are legally separate organizations for which the Township is financially accountable. Component units may also include organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt, or the levying of taxes. The Township has no component units.

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements (the statement of net assets and the statement of activities) report information about the Township as a whole. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. These statements include the financial activities of the primary government, except for fiduciary funds.

TOWNSHIP OF JEFFERSON
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Township's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Property taxes, state shared revenue, and other items not properly included among program revenues are reported as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Township. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide statements.

Fund Financial Statements - Fund financial statements report detailed information about the Township. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds (if any) are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

Measurement Focus and Basis of Accounting

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting, as are those of the proprietary fund and fiduciary fund. Revenue is recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is to be collected with the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if it is collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when the liability is incurred, as under accrual accounting.

Under the modified accrual basis, property taxes, state shared revenue, interest, and grants are considered to be both measurable and available at fiscal year-end. All other revenue items are considered to be available only when cash is received by the Township.

Financial Statement Presentation

The Township uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain Township functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

TOWNSHIP OF JEFFERSON
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Township reports the following major governmental funds:

General Fund - used to account for all financial resources except those required to be accounted for in another fund. General Fund activities are financed by revenue from general property taxes and state-shared revenue. The general fund balance is available for any purpose provided it is expended or transferred according to the laws of the State of Michigan.

Permanent Fund - accounts for resources that are legally restricted to the extent that only earnings, not principal, may be used for perpetual care of cemetery lots.

The Township reports the following major proprietary fund:

Sewer Fund - used to account for the results of operations for providing sewer service to the citizens and businesses of the Township. The primary revenues are generated through user charges from those requesting sewer service.

Additionally, the Township reports the following fund type:

Fiduciary Fund/Trust and Agency Fund

Tax Collection Fund - used to account for property taxes collected from residents on behalf of the Township along with other governmental units in the county. This fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Township's sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the proprietary fund relates to charges to customers for sales and services.

TOWNSHIP OF JEFFERSON
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating expenses for the proprietary fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Assets, Liabilities, and Net Assets

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are considered to be fully collectible.

Prepaid Expenses - Certain payments to vendors reflect costs applicable to future years and are recorded as prepaid items in both the governmental-wide and fund financial statements.

Capital Assets - Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	50 years
Sewer lines	50 years
Furnishings and equipment	5 to 15 years
Vehicles	10 years

Long-term Obligations - In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

TOWNSHIP OF JEFFERSON
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information - The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. The legal level of budgetary control has been established by the Township Board at the line-item level. Any budgetary modifications may only be made by resolution of the Township Board. All annual appropriations lapse at fiscal year end.

The Township follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements:

- 1) Prior to March 31, the Clerk submits to the Township Board a proposed operating budget for the fiscal year commencing on April 1.
- 2) A public hearing is conducted during March to obtain taxpayer comments.
- 3) Prior to March 31, the budget is legally enacted through passage of a resolution.
- 4) During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

NOTE 3 - DEPOSITS AND INVESTMENTS

Following are the components of the Township's bank deposits at March 31, 2005:

Cash on Hand	\$ 40
Checking Accounts	87,081
Savings Accounts	116,788
Certificates of Deposit	423,535
Money Market Accounts	<u>56,767</u>
Total	<u>\$ 684,211</u>

Protection of the Township's deposits is provided by the Federal Deposit Insurance Corporation (FDIC). At March 31, 2005, the carrying amount of the Township's deposits was \$684,211 and the bank balance was \$685,551. Of the bank balance, \$382,397 was covered by federal depository insurance and \$303,154 was uninsured.

TOWNSHIP OF JEFFERSON
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

The Township's investments are required to be categorized to give an indication of the level of risk assumed by the Township at March 31, 2005. Category 1 includes investments that are insured or registered or for which the securities are held by the Township or its agent in the Township's name. Category 2 includes uninsured and unregistered investments for which securities are held by the counterpart's trust department or agent in the Township's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterpart, or its trust department or agent but not in the Township's name. The Money Market accounts are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. As of March 31, 2005, the Township's deposits are in accordance with statutory authority.

NOTE 4 - RECEIVABLES

Receivables at March 31, 2005, consist of property taxes, special assessments, and sewer user fees, and are considered collectible in full.

NOTE 5 - CAPITAL ASSETS

Capital asset activity of the Township's governmental activities and business-type activities was as follows:

	Balance <u>April 1, 2004</u>	<u>Additions</u>	Disposals and <u>Adjustments</u>	Balance <u>March 31, 2005</u>
Primary Government:				
Capital assets not being depreciated				
Land	\$ 35,053	\$ 0	\$ 0	\$ 35,053
Capital assets being depreciated				
Buildings & Improvements	\$ 206,686	\$ 0	\$ 0	\$ 206,686
Furniture & Equipment	69,553	0	0	69,553
Vehicles	<u>6,600</u>	<u>0</u>	<u>0</u>	<u>6,600</u>
Total capital assets being depreciated	\$ 282,839	\$ 0	\$ 0	\$ 282,839

TOWNSHIP OF JEFFERSON
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

Less: accumulated depreciation:

Buildings & Improvements	\$ (61,198)	\$ (4,134)	\$ 0	\$ (65,332)
Furniture & Equipment	(27,339)	(4,445)	0	(31,784)
Vehicles	<u>(6,600)</u>	<u>0</u>	<u>0</u>	<u>(6,600)</u>
Total accumulated depreciation	<u>\$ (95,137)</u>	<u>\$ (8,579)</u>	<u>\$ 0</u>	<u>\$(103,716)</u>

Total capital assets being depreciated - net	\$ 187,702	\$ (8,579)	\$ 0	\$ 179,123
Total capital assets, net	<u>\$ 222,755</u>	<u>\$ (8,579)</u>	<u>\$ 0</u>	<u>\$ 214,176</u>

	Balance April 1, 2004	Additions	Disposals and Adjustments	Balance March 31, 2005
Business-type Activities:				
Capital assets not being depreciated				
Land	\$ 76,970	\$ 0	\$ 0	\$ 76,970
Capital assets being depreciated				
Sewer Building & Lines	\$ 2,468,942	\$ 9,411	\$ 0	\$ 2,478,353
Equipment	3,257	0	0	3,257
Vehicles	<u>25,725</u>	<u>0</u>	<u>0</u>	<u>25,725</u>
Total capital assets being depreciated	<u>\$ 2,497,924</u>	<u>\$ 9,411</u>	<u>\$ 0</u>	<u>\$ 2,507,335</u>
Less: accumulated depreciation:				
Sewer Building & Lines	\$ (900,450)	\$ (64,042)	\$ 0	\$ (964,492)
Equipment	(2,602)	(120)	0	(2,722)
Vehicles	<u>(18,007)</u>	<u>(5,145)</u>	<u>0</u>	<u>(23,152)</u>
Total accumulated depreciation	<u>\$ (921,059)</u>	<u>\$ (69,307)</u>	<u>\$ 0</u>	<u>\$ (990,366)</u>
Total capital assets being depreciated - net	<u>\$ 1,576,865</u>	<u>\$ (59,896)</u>	<u>\$ 0</u>	<u>\$ 1,516,969</u>
Total capital assets, net	<u>\$ 1,653,835</u>	<u>\$ (59,896)</u>	<u>\$ 0</u>	<u>\$ 1,593,939</u>

Depreciation expense was charged to functions/programs of the Township as follows:

General Government	<u>\$ 8,579</u>
Sewer Fund	<u>\$ 69,307</u>

TOWNSHIP OF JEFFERSON
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances at March 31, 2005, is as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General Fund	\$ 2,230	Tax Collection Fund	\$ 2,230
Sewer Fund	713	General Fund	713
	<u>\$ 2,943</u>		<u>\$ 2,943</u>

Interfund transfers during the year consisted of the following:

Transfer from Tax Collection Fund to General Fund	\$ 46,834
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The amount due to General Fund from the Tax Collection Fund represents Township property taxes that have been collected but not yet transferred to General Fund. The amount due to the Sewer Fund from the General Fund represents an overpayment by the Sewer Fund to the General Fund for a workers compensation insurance audit in fiscal year ended March 31, 2003.

NOTE 7 - PROPERTY TAXES

Real estate and personal property taxes are recorded as revenue in an amount equal to the total taxes levied. There are no provisions made for possible uncollectible taxes. The total levy for 2004 was .8087 mills for general operations on a total state taxable valuation of approximately \$63,170,000. The Township properties are assessed as of December 31 (the lien date), taxes levied December 1 of the succeeding year and due without interest to March 1. After March 1, the delinquent taxes real portion are turned over to the County Treasurer for collection. The personal properties continue to be collectible by the Township Treasurer.

NOTE 8 - LONG-TERM DEBT

The "Bird Lake Sanitary Sewage Disposal System" and the "Bird Lake Service Area" were created by Ordinance No. 4 in May of 1985. The ordinance provided for the creation and operation of a sanitary sewer system in conjunction with the Township of Pittsford for the benefit of area residents. During the 1987-88 year, other ordinances were passed which provided for the sewer system to be named the "Pittsford Sanitary Sewage Disposal System." These ordinances also provided for the imposition, collection, and enforcement of fees and charges for connection, required sewers for occupied premises, and other matters relative to the system.

In April, 1988, bonds were sold to provide funds for construction of the sewage disposal system. The total estimated construction cost was approximately \$3,819,000 and after considering federal grants and other money to be received of \$2,544,000 a bond issue for \$1,275,000 was offered by the County of Hillsdale Board of Commissioners. The bonds were issued pursuant to the Provisions of Act 185 Public Acts of Michigan, 1957 as amended and by resolution of the County.

Due to favorable interest rates, the Townships decided to refinance the outstanding bonds with a new bond issue on February 1, 1996. The Townships of Pittsford and Jefferson are obligated to repay these bonds plus interest pursuant to an existing contract with the County dated January 1, 1988. The final contractual obligation for payment of principal and interest on a percentage basis is as follows: Township of Jefferson 70.02% and Township of Pittsford 29.98%. Reference should be made to the underlying documents and Hillsdale County records for further details.

TOWNSHIP OF JEFFERSON
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

NOTE 8 - LONG-TERM DEBT (Concluded):

A summary of changes in long-term debt (Jefferson Township share) for the year ended March 31, 2005, follows:

Business-type activities:

1997 Bond Issue

Amount of Original Contract	Maturity Date	Range of Interest Rates	Balance 4/1/04	Issued	Retired	Balance 3/31/05
\$ 630,880	2005	4.00%-4.85%	<u>\$ 149,143</u>	<u>\$ 0</u>	<u>\$ 76,322</u>	<u>\$ 72,821</u>

The annual debt service requirements to maturity for bonded debt as of March 31 (Jefferson Township share) are as follows:

Year	Principal Due May 1	Interest Rate	Interest Due May 1	Interest Due November 1	Total Remaining Principal & Interest Requirements
2005	<u>\$ 72,821</u>	4.850%	<u>\$ 1,766</u>	<u>\$ 0</u>	<u>\$ 74,587</u>

Note: The current ratios developed for interest and principal payments are:

Jefferson Township	70.02%
Pittsford Township	<u>29.98%</u>
	<u>100.00%</u>

NOTE 9 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries. The Township has purchased commercial insurance for claims relating to general liability, excess liability, auto liability, errors and omissions, physical damage (equipment, buildings and contents), workers compensation, and other appropriate coverages. There has been no significant reduction in insurance coverages, and settled claims have not exceeded the amount of insurance coverage in any of the past 3 years.

NOTE 10 - UNEMPLOYMENT TAXES

The Township is a reimbursing employer to the Michigan Unemployment Agency and as such is responsible to pay the Agency for those benefits paid and charged to its account. As of March 31, appropriate liabilities have been recorded for all claims paid by the Agency. However, no provision has been made for future payments that might result from claims in process or unfilled.

NOTE 11 - JOINT VENTURE

The Township is a participant in a joint venture agreement with the Township of Pittsford for the operation of Pittsford-Jefferson Fire Department. Each Township appoints two members of the five-member Fire Board which oversees the operations. The interests of the Townships in all assets and liabilities of the fire department are joint and equal. Fire service may be provided to other governmental units on a contract basis. Each

TOWNSHIP OF JEFFERSON
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2005

NOTE 11 - JOINT VENTURE (Concluded):

Township's percentage share of the annual operating and maintenance expenses is determined by dividing the number of Sections within that Township which are receiving fire department services by the total number of Sections in all Townships receiving said services. Complete separate financial statements may be obtained at the Jefferson Township Hall.

NOTE 12 - RESTATEMENTS

As of and for the year ended March 31, 2005, the Township implemented the following Governmental Accounting Standards Board pronouncements:

Statements

No. 33 - *Accounting and Financial Reporting for Nonexchange Transactions*

No. 34 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments.*

No. 36 - *Recipient Reporting for Certain Shared Nonexchange Revenues - An Amendment of GASB No. 33*

No. 37 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*

No. 38 - *Certain Financial Statement Disclosures*

Interpretations

No. 6 - *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*

As a result of implementing these pronouncements for the year ended March 31, 2005, the following restatements were made to the beginning fund balance and net asset accounts:

Fund Balances of General and Cemetery Fund as of March 31, 2004	\$ 470,634
Add: governmental capital assets as of March 31, 2004	317,892
Deduct: accumulated depreciation as of March 31, 2004, on the above governmental assets	<u>(95,137)</u>
Governmental net assets, restated, as of March 31, 2004	<u>\$ 693,389</u>

REQUIRED SUPPLEMENTARY INFORMATION

TOWNSHIP OF JEFFERSON
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2005

	Original Budget	Final Amended Budget	Actual	Variance With Amended Budget
Beginning of year fund balance	\$ 377,494	\$ 377,494	\$ 377,494	\$ 0
Resources (inflows)				
Township Tax Levy	\$ 49,000	\$ 49,000	\$ 51,055	\$ 2,055
Special Assessments	6,960	6,960	6,682	(278)
Administration Fees	0	0	5,828	5,828
State Shared Revenue	210,000	210,000	213,082	3,082
Charges for Services	38,500	38,500	37,762	(738)
Rental Income	5,200	5,200	6,000	800
Licenses and Fees	7,268	7,268	3,434	(3,834)
Interest & Dividend Earnings	3,000	3,000	6,496	3,496
Miscellaneous and Reimbursements	100	100	8,740	8,640
Land Division Fees	1,000	1,000	1,665	665
Contingency	<u>128,972</u>	<u>128,972</u>	<u>0</u>	<u>(128,972)</u>
Amounts available for appropriation	<u>\$ 827,494</u>	<u>\$ 827,494</u>	<u>\$ 718,238</u>	<u>\$ (109,256)</u>
Charges to appropriations (outflows)				
Supervisor - Salary	\$ 8,208	\$ 8,208	\$ 8,208	\$ 0
Expenses	250	250	77	(173)
Assessor - Services	24,500	24,500	24,246	(254)
Expenses	3,500	3,500	1,633	(1,867)
Clerk - Salary	16,800	16,800	16,800	0
Expenses	3,000	3,000	3,000	0
Office Assistance	200	200	0	(200)
Deputy Clerk	3,827	3,827	3,827	0
Treasurer - Salary	18,618	18,618	18,589	(29)
Expenses	8,500	8,500	7,714	(786)
Office Assistance	200	200	0	(200)
Deputy Treasurer	2,764	2,764	2,764	0
Trustees	4,557	4,557	4,557	0
Board of Review	500	500	442	(58)
Printing and Publishing	500	500	479	(21)
Township Newsletter	350	350	263	(87)
Elections	5,000	5,000	3,878	(1,122)
Mobile Home Tax	550	550	450	(100)
Township Drains	2,000	2,000	1,440	(560)
Highways, Roads, and Bridges	112,550	113,924	113,924	0
Cemeteries	30,000	30,000	26,441	(3,559)
Fire Department	50,000	50,000	50,000	0
Street Lights	3,000	3,000	2,594	(406)
Libraries	10,000	10,000	5,000	(5,000)

TOWNSHIP OF JEFFERSON
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2005

	Original Budget	Final Amended Budget	Actual	Variance With Amended Budget
Township Hall	\$ 8,000	\$ 10,089	\$ 9,575	\$ (514)
Audit Fees	3,000	3,000	2,900	(100)
Legal Fees	2,500	2,500	1,388	(1,112)
Insurance and Bonds	9,100	9,899	7,941	(1,958)
Contingency Fund	25,276	20,834	0	(20,834)
Miscellaneous	300	300	74	(226)
Dues and Subscriptions	2,000	2,000	1,355	(645)
Solid Waste-Transfer Station and Recycling	67,250	67,250	55,290	(11,960)
Payroll Tax Expense	13,500	13,500	5,684	(7,816)
Ordinance Enforcement	300	480	455	(25)
Planning Commission	4,400	4,400	2,360	(2,040)
Capital Outlay	<u>5,000</u>	<u>5,000</u>	<u>0</u>	<u>(5,000)</u>
Total charges to appropriations	<u>\$ 450,000</u>	<u>\$ 450,000</u>	<u>\$ 383,348</u>	<u>\$ (66,652)</u>
End of year fund balance	<u>\$ 377,494</u>	<u>\$ 377,494</u>	<u>\$ 334,890</u>	<u>\$ (42,604)</u>

OTHER SUPPLEMENTARY INFORMATION

TOWNSHIP OF JEFFERSON
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
CURRENT TAX COLLECTION FUND
FOR THE YEAR ENDED MARCH 31, 2005

	Balance <u>April 1, 2004</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>March 31, 2005</u>
ASSETS				
Cash	\$ 1,555	\$ 1,473,959	\$ 1,473,284	\$ 2,230
LIABILITIES				
Due to Other Funds	\$ 1,555	\$ 46,376	\$ 45,701	\$ 2,230
Due to County	0	355,324	355,324	0
Due to Schools	0	715,365	715,365	0
Due to State of Michigan	0	356,894	356,894	0
	<u>\$ 1,555</u>	<u>\$ 1,473,959</u>	<u>\$ 1,473,284</u>	<u>\$ 2,230</u>

The accompanying notes are an integral part of this statement.